Next Level Stage 2
Accelerating transformation – White Collar Productivity

Presentations given during the Capital Markets Day 2015 include forward-looking information and statements including statements concerning the outlook for our businesses. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, and the economic conditions of the regions and industries that are major markets for ABB Ltd. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects,” “believes,” “estimates,” “targets,” “plans,” “outlook” or similar expressions.

There are numerous risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking information and statements made in this presentation and which could affect our ability to achieve any or all of our stated targets. The important factors that could cause such differences include, among others:

- business risks associated with the with the volatile global economic environment and political conditions
- costs associated with compliance activities
- raw materials availability and prices
- market acceptance of new products and services
- changes in governmental regulations and currency exchange rates, and,
- such other factors as may be discussed from time to time in ABB Ltd's filings with the U.S. Securities and Exchange Commission, including its Annual Reports on Form 20-F.

Although ABB Ltd believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

The presentations also contain non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in “Supplemental financial information” under “Capital Markets Day 2015” on our website at http://new.abb.com/investorrelations/
$1 bn White Collar Productivity 1’000 day program

Lean for growth

Stage 1 – delivered

6 consecutive years $1 bn in cost savings
Focused on Supply Chain costs and operational excellence

Stage 2

Adding White Collar Productivity program
- ~100k white collar employees
- ~70% of workforce
- Systematic identification of opportunities
- Defined roadmaps
- Close information/consultation with stakeholders

White Collar Productivity program transforming ABB
## Lean business functions
### Marketing & Sales

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial organization</strong></td>
<td>Fragmented</td>
<td>Consolidated sales back offices</td>
</tr>
<tr>
<td><strong>Processes and tools</strong></td>
<td>Sales force not spending enough time with customers</td>
<td>Sales force to spend &gt;60% of time with customers by leveraging common sales technology platforms</td>
</tr>
<tr>
<td><strong>Sales model</strong></td>
<td>Predominantly face-to-face sales</td>
<td>Complemented with alternate channels (digital, distributors)</td>
</tr>
</tbody>
</table>

### Expected impact
- Significant commercial productivity improvement
- All customers served by optimized mix of direct / indirect / digital channels
- Streamlined commercial organization
Lean business functions
Example: Marketing & Sales processes and tools

Delivering the change

Standardize and automate external and internal trade

Deploy global platform for quotation and order management

90 countries on salesforce.com by 2016

Extend self-service platform for customers, including ordering and fulfillment tracking

Example of progress

6 pilots implemented

30 countries on salesforce.com by end of 2015

New cross-selling opportunities across businesses

Shared sales leads increased by >100%
## Lean business functions
Research & Development

<table>
<thead>
<tr>
<th>Today</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Footprint</strong></td>
<td>260 R&amp;D locations</td>
</tr>
<tr>
<td><strong>Lean R&amp;D</strong></td>
<td>Early successes</td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td>Individual / silo allocation of funds</td>
</tr>
</tbody>
</table>

**Expected impact**

- 20% more productive R&D
- More than 500 additional scientists and engineers in higher growth markets (US and Asia)
Lean business functions
Example: Research & Development footprint

Delivering the change

Transfer, recruit and train 1,700 scientists and engineers in new centers

Review more than 100 subscale units and optimize skills, people and technology

Increase software development in Bangalore and Krakow

New R&D location in Silicon Valley

Address overlaps in R&D efforts across different sites

Example of progress

Created Indian R&D Center

Today >850 software developers

Increased cost-efficiency by over 20%

Stronger skills in target areas
Lean business functions
Supply Chain Management

<table>
<thead>
<tr>
<th>Today</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics centers</td>
<td>1 center serving China as a pilot</td>
</tr>
<tr>
<td>Transactional activities in SSC¹</td>
<td>&lt;5%</td>
</tr>
<tr>
<td>Category spend managed globally</td>
<td>Managed mainly on business unit or local level</td>
</tr>
</tbody>
</table>

Expected impact
- >20% more efficient SCM organization
- >30% reduction in transactional logistics resources
- Better leverage with fewer suppliers

¹SSC: Shared Service Center
Lean business functions
Example: Supply Chain Management logistics centers

<table>
<thead>
<tr>
<th>Delivering the change</th>
<th>Example of progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish 10 transport and logistic centers covering ABB’s global needs</td>
<td>Established transport and logistics hub in China</td>
</tr>
<tr>
<td>Consolidate and train more than 700 SCM professionals</td>
<td>&gt;30% improvement in resource efficiency</td>
</tr>
<tr>
<td>Launch 21\textsuperscript{st} century transportation management systems to optimize routes and deliveries</td>
<td>&gt;40% freight cost reduction through pooling and efficient freight booking</td>
</tr>
<tr>
<td></td>
<td>Significantly improved on-time delivery and service quality</td>
</tr>
</tbody>
</table>
Global shared services
Support functions optimization

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shared service centers</td>
<td>68 country-based shared services</td>
<td>2 global and 4 regional business service centers</td>
</tr>
<tr>
<td>Process standardization</td>
<td>~20%</td>
<td>&gt;50% in next 24 months</td>
</tr>
<tr>
<td>Leverage low-cost countries</td>
<td>&lt;20%</td>
<td>&gt;80%</td>
</tr>
<tr>
<td>Scope</td>
<td>Accounting, IS, HR</td>
<td>Finance, HR, IS, transactional SCM</td>
</tr>
</tbody>
</table>

Expected impact

- Global delivery of shared services at 30% lower cost
- Improved service quality and responsiveness, higher accuracy
- Simplified internal controls landscape
Global shared services
Example: Global Business Services set-up

Delivering the change

“Lift and shift” from 68 centers to 2 global and 4 regional centers

Transfer, recruit and train 4,000 employees and incorporate into a Global Business Services organization

Develop and implement world-class shared services management practices

Example of progress

>700 IT employees located in Krakow developing and supporting group-wide applications

50% more efficient

Solid quality results
Market-oriented and simpler organization

### Today
- **Organization units and layers**
  - Organization units: 5 divisions, 23 business units, 125 product groups
  - Spans of control too narrow, up to 12 management layers

- **HQ**
  - Mixture between classic HQ, business line and transactional activities
  - Multiple functions located within HQ

### 2017
- **Organization units and layers**
  - 20% complexity reduction in all dimensions
  - For example maximum of 8 layers within divisions

- **HQ**
  - Business line management in key markets
  - Transactional activities in SSCs
  - Leaner HQ focused on strategy, governance & control

### Expected impact
- Business leaders closer to customers and markets
- Significant near-term savings
- Streamlined and simplified HQ
Market-oriented and simpler organization
Example: organizational unit simplification

Delivering the change

- Detail senior leadership roles and responsibilities
- Realign division and business unit roles to streamline accountabilities
- Create ABB sales organization in 46 smaller countries
- Detail organization and ensure management appointments in next 90 days
- Launch kick-off of staged HQ transformation

Example of progress

- Clarified undiluted business line accountability
- From 8 regions and our global markets head to 3 regions
- Refocus countries on customers and fiduciary duties
- Reduction of one management layer
- Selection of top 1,000 positions in line with new set-up
Living the new performance culture

Execution discipline

Build on experience in successful SCM and Opex programs

Pay for performance

Use new compensation scheme with balanced institutional and individual objectives

Clear accountabilities

Executive Committee members own individual targets that amount to $1 bn

Reporting to Executive Committee and Board

Disciplined, regular reporting of all detailed action plans, linked to compensation

All elements integrated in our implementation approach
Accelerating transformation
1’000 day White Collar Productivity program – summary

- Next Level Stage 1: Strong track record of continuous cost reductions in Opex and Supply Chain Management
- Next Level Stage 2: Change program focusing on the productivity of 100,000 "white collar" employees
- More customer-focused, simpler and more agile organization
- Moving into consultation and implementation phase

Cost reduction per annum

- 2015
- 2016
- 2017
- 2018

Illustrative

$1.0 bn

Business functions

Global shared services

Complexity reduction